

JUNCTION CITY - GEARY COUNTY HEALTH DEPARTMENT

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2010

**JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS**

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816 N Washington
Junction City, KS 66441
(785) 238-5166
Fax (785) 238-6830

529 Humboldt, Suite I
Manhattan, KS 66502
(785) 537-9700
Fax (785) 537-3734

505 NW 3rd, Suite 1
Abilene, KS 67410
(785) 263-2171
Fax (785) 263-3340

www.pgh-cpa.com

MEMBERS:
American Institute of
Certified Public Accountants

Kansas Society of Certified
Public Accountants



Pottberg, Gassman & Hoffman, Chtd

INDEPENDENT AUDITORS' REPORT

To the Joint Board of Health
Junction City – Geary County Health Department
Junction City, Kansas

We have audited the accompanying financial statements of the Junction City – Geary County Health Department (Department) as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the Department has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Department as of December 31, 2010, or the changes in its financial position for the year then ended. Further, the Department has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basis financial statements.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the Department, as of December 31, 2010, and the receipts it received and expenditures it paid for the year then ended on the basis of accounting described in Note 1.

The budgetary comparison information on pages 11-12 is not a required part of the statutory financial statements but are supplementary information. We have applied certain limited procedures, which consisted primarily of inquiring of management

regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Pottberg, Gassman & Hoffman, Chartered.

Pottberg, Gassman & Hoffman, Chartered
Junction City, Kansas
November 15, 2011

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH FOR THE YEAR ENDED DECEMBER 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Cash Disbursements	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General Fund	\$ 987,895	-	1,731,086	1,478,933	1,240,048	503	1,240,551
Total Reporting Entity	\$ 987,895	-	1,731,086	1,478,933	1,240,048	503	1,240,551

Composition of Cash:

Cash on Hand	\$ 125
Checking Accounts	64,639
Savings Account	925,787
Certificates of Deposit	250,000
Total Reporting Entity	\$ 1,240,551

The notes to the financial statements are an integral part of this statement.

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

STATEMENT OF CASH RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

GENERAL FUND

Cash Receipts:

Grants	\$ 869,367
City - County Appropriations	601,900
Client Receipts	107,501
Contract Services	31,987
Health Insurance Receipts	41,063
School Reimbursements	22,250
Medicaid Reimbursements	12,141
Medicare Reimbursements	4,922
Donations	4,903
Rent	3,440
Other Reimbursements and Miscellaneous Receipts	17,628
Interest	13,984
Total Cash Receipts	<u>1,731,086</u>

Expenditures:

Advertising	6,201
Auto and Truck	5,732
Bank Service Charges	1,096
Building Maintenance	2,889
Capital Expenditures	71,137
Clothing Allowance	396
Contract Services	16,396
Dues	390
Educational / Promotional	17,325
Equipment Maintenance and Repair	9,355
Equipment Rental	1,200
Insurance - Bonding	305
Insurance - Disability	2,631
Insurance - Health	105,791
Insurance - Life	1,046
Insurance - Malpractice	598
Insurance - Liability	599
Janitorial	29,627
Laboratory Fees	7,589
Legal and Accounting	7,900
Lodging	2,449
Medical Supplies	47,322
Mileage	4,033
Miscellaneous	71
Office Supplies	17,473
Subtotal	<u>359,551</u>

The notes to the financial statements are an integral part of this statement.

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

STATEMENT OF CASH RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

GENERAL FUND

Expenditures from page #3	\$ 359,551
Payroll Taxes	64,734
Postage	5,014
Printing	1,646
Professional Services	14,400
Registration and Fees	6,125
Rent	16,836
Resource Material	762
Retirement	59,098
Salaries	873,819
Subscriptions	3,538
Subsistence	4,020
Supplies	24,829
Taxi Service	2,259
Telephone	12,669
Utilities	19,956
Workers Compensation	9,677
Total Expenditures	<u>1,478,933</u>
Receipts Over (Under) Expenditures	252,153
Unencumbered Cash, January 1	<u>987,895</u>
Unencumbered Cash, December 31	<u><u>\$ 1,240,048</u></u>

The notes to the financial statements are an integral part of this statement.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Note 1- Summary of Significant Accounting Policies

Financial Reporting Entity

On July 1, 1949 the respective commissions of Junction City and Geary County Kansas created the Joint Board of Health per K.S.A. 65-205. Joint Resolution/Ordinance (Geary County Resolution 6192H and Junction City Ordinance S-2515) specifies the organization, operation, jurisdiction, powers and duties of the Joint Board of Health. The Junction City – Geary County Health Department (the Department) offers preventive, educational, environmental and other general health services to the residents of Junction City and Geary County. The Department is primarily supported through federal and state grants, city and county appropriations and client service revenues. The building in which the Department is housed is owned by Geary County, as well as the major furniture and fixtures.

Basis of Presentation and Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of the fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Department has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Department to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, and cash and unencumbered cash balances. Balance sheets that would have shown noncash assets such as receivables, inventories, prepaid expenses, liabilities such as deferred revenue, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the equipment owned by the Department are not presented in the financial statements. Also, compensated absences are not presented in the financial statements.

Budgetary Information

The Department is not required to adopt a legal budget. Therefore, no budgetary comparison is prepared as a financial statement. The Board approves an estimated budget each year as required by the Joint Resolution/Ordinance which is used by management to internally monitor expenditures and is presented as supplementary information.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Note 2 - Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Organization. The statute requires banks eligible to hold the Organization's funds have a main or branch bank in the county in which the Organization is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Organization has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Organization's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Organization has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Organization may invest in any issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. State statutes require the Organization's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Organization has no designated "peak periods." All deposits were legally secured at December 31, 2010.

At December 31, 2010, the Organization's carrying amount of deposits, including certificates of deposit, was \$1,240,551 and the Bank balance was \$1,167,431. The bank balance was held by three banks resulting in a concentration of credit risk. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of these bank balances, \$725,129 was covered by federal depository insurance and \$442,302 was collateralized with securities held by the pledging financial institutions' agents in the Organization's name.

Note 3 – Compensated Absences

The Department's policy is to recognize the costs of compensated absences when actually paid.

Vacation leave:

The Department's policy regarding vacation leave allows employees to accumulate vacation time based on years of continuous service. Full-time employees working at least 37.5 hours per week accrue paid Annual leave time as follows:

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Note 3 – Compensated Absences (Continued)

Years of Employment	Accrual Rate (hours/month)		Maximum Accrual (hours)	
	<u>37.5</u>	<u>40.0</u>	<u>37.5</u>	<u>40.0</u>
Less than one	5.75	6		
1 to 10	9.5	10	150	160
10 to 15	11.25	12	180	192
Over 15	15	16	225	240

Upon termination of employment an employee is entitled to be paid for unused accrued vacation leave. The amount of accrued vacation payable at December 31, 2010 was \$29,365.

Sick leave

Full-time employees working at least 37.5 hours per week will earn sick leave pay as follows:

Years of Employment	Accrual Rate (hours/month)	
	<u>37.5</u>	<u>40.0</u>
Less than one year	3.75	4
After one year	7.5	8

Upon retirement, an employee is paid for one-third of the accrued leave up to a maximum of 60 days. The amount of accrued sick leave payable for employees eligible for retirement at December 31, 2010 was \$13,616.

Note 4 – Grants

The Department receives grants from the Kansas Department of Health and Environment (KDHE). Federal dollars passed through KDHE from the U.S. Department of Health and Human Services for the year ended December 31, 2010 were \$548,568. Expenditures of federal awards for the year ended December 31, 2010 totaled \$499,600.

Note 5 – Defined Benefit Pension Plan

The Department participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Note 5 – Defined Benefit Pension Plan (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for employees hired prior to July 1, 2009 and 6% for employees hired on or after July 1, 2009. The employer collects and remits member-employee contributions according to the provision of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The employer rate established for calendar year 2010 was 7.14%. The Department's employer contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$59,098, \$40,128, and 42,227, respectively, equal to the required contributions for each year as set forth by the legislature.

Note 6 – Deferred Compensation Plan

The Department offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code section 457. The plan is administrated by Nationwide Retirement Solutions. The plan is available to all employees, and permits them to defer a portion of their salary until future years.

Note 7 – Risk Management

The Junction City – Geary County Health Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department has been unable to obtain property and liability insurance at a cost it considered to be economically justifiable. For this reason, the Department through Geary County joined together with other counties in the State to participate in Kansas County Association Multi-Line Pool (KCAMP), a public entity risk pool currently operating as a common risk management and insurance program for participating members.

Geary County pays an annual premium to KCAMP for its property and liability insurance coverage. The agreement to participate provides that KCAMP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the self-insured amount for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KCAMP management. The Department reimburses Geary County for its portion of the workers compensation premium. Geary County carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 8 – Litigation

There were no legal actions involving the Junction City – Geary County Health Department as of December 31, 2010.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Note 9 – Compliance

The Department is currently in compliance with the Joint Resolution/Ordinance amended September 19, 2005 concerning the basis of accounting and auditing of grants.

Note 10 – Subsequent Events

Management has evaluated the effects on the financial statements of subsequent events occurring through November 15, 2011 which is the date at which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET FOR THE YEAR ENDED DECEMBER 31, 2010

<u>GENERAL FUND</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Grants	\$ 869,367	529,769	339,598
City - County Appropriations	601,900	547,363	54,537
Client Receipts	107,501	100,670	6,831
Contract Services	31,987	32,750	(763)
Health Insurance Receipts	41,063	35,893	5,170
School Reimbursements	22,250	22,250	-
Medicaid Reimbursements	12,141	16,162	(4,021)
Medicare Reimbursements	4,922	12,000	(7,078)
Donations	4,903	9,000	(4,097)
Rent	3,440	6,000	(2,560)
Other Reimbursements and Miscellaneous Receipts	17,628	94,827	(77,199)
Interest	13,984	8,125	5,859
Total Cash Receipts	<u>1,731,086</u>	<u>1,414,809</u>	<u>316,277</u>
Expenditures:			
Advertising	6,201	4,200	2,001
Airfare	-	1,500	(1,500)
Auto and Truck	5,732	8,800	(3,068)
Bank Service Charges	1,096	1,310	(214)
Building Maintenance	2,889	3,200	(311)
Capital Expenditures	71,137	10,400	60,737
Clothing Allowance	396	500	(104)
Computer Hardware / Software	-	1,500	(1,500)
Contract Services	16,396	7,000	9,396
Dues	390	250	140
Educational / Promotional	17,325	5,175	12,150
Equipment Maintenance and Repair	9,355	5,520	3,835
Equipment Rental	1,200	1,450	(250)
Insurance - Bonding	305	305	-
Insurance - Disability	2,631	4,200	(1,569)
Insurance - Health	105,791	141,028	(35,237)
Insurance - Life	1,046	1,153	(107)
Insurance - Malpractice and Liability	1,197	4,200	(3,003)
Janitorial	29,627	28,180	1,447
Laboratory Fees	7,589	5,100	2,489
Legal and Accounting	7,900	9,500	(1,600)
Lodging	2,449	2,950	(501)
Longevity Bonus	-	4,500	(4,500)
Medical Supplies	47,322	44,745	2,577
Mileage	4,033	5,962	(1,929)
Miscellaneous	71	12,408	(12,337)
Office Supplies	17,473	10,671	6,802
Subtotal	<u>359,551</u>	<u>325,707</u>	<u>33,844</u>

The notes to the financial statements are an integral part of this statement.

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>GENERAL FUND</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Expenditures from page #9	\$ 359,551	325,707	33,844
Payroll Taxes	64,734	64,500	234
Postage	5,014	4,339	675
Printing	1,646	1,695	(49)
Professional Services	14,400	15,200	(800)
Registration and Fees	6,125	6,410	(285)
Rent	16,836	19,684	(2,848)
Resource Material	762	650	112
Retirement	59,098	58,653	445
Salaries	873,819	848,939	24,880
Subscriptions	3,538	3,080	458
Subsistence	4,020	2,500	1,520
Supplies	24,829	9,050	15,779
Taxi Service	2,259	1,720	539
Telephone	12,669	13,294	(625)
Utilities	19,956	20,300	(344)
Vehicle Purchase	-	6,000	(6,000)
Workers Compensation	9,677	13,088	(3,411)
Total Expenditures	<u>1,478,933</u>	<u>1,414,809</u>	<u>64,124</u>
Receipts Over (Under) Expenditures	<u>\$ 252,153</u>	<u>-</u>	<u>252,153</u>

The notes to the financial statements are an integral part of this statement.